

DESCRIPTION AND JUSTIFICATION
TXU COMMUNICATIONS COMPANIES (TXUCC)
Comprised of: Ft Bend Telephone Company (FBTC) and
TXU Communications Telephone Company (TXUC)

Transmittal No. 2, February 9, 2004

Description

The overall purpose of this filing is twofold. First, the ADSL service of Ft. Bend Telephone Company (FBTC) is modified slightly to make it identical with the ADSL service offerings of TXU Communications Telephone Company (TXUCTC). Second, a promotion is instituted which waives the first month's charges for ADSL service when a customer signs up for a one-year Term Payment Plan (TPP).

To satisfy the first of these, the tariff filing changes the FBTC terminology to adopt TXUCTC's terminology for consistency: Basic SpeedLink and Enhanced SpeedLink (rather than Option 1 and 2). It also deletes an ADSL service speed in the FBTC serving area for which TXUCC has found no market, substituting the identical ADSL speed that it provides in the TXUCTC serving area and which the Companies have found to be more marketable. FBTC ADSL is modified to become identical with ADSL service provided by TXUCTC. In order to create identical services and rates, TXUCC was required to make 3 minor rate reductions, while splitting the FBTC NRC into 2 separate NRCs, matching TXUCTC. Rate reductions occurred in the FBTC monthly rate from \$59 to \$45 and in the TXUCTC Installation charge, reducing it from \$85 to \$66 to keep the TXUCTC and FBTC rates identical with no rate increases. The three-year TPP for FBTC was deleted since the rates were the same for the one-year plan and a three-year plan is too restrictive for our customers in today's environment.

Second, the TXU Communications Companies are proposing to institute a promotion in which the first month's recurring charges are waived when the customer signs up for a one-year Term Payment Plan (TPP).

The TXU Communications Companies filed cost support with Transmittal 18 for TXUCTC, which is still appropriate. Utilizing these costs and the new tariffed ADSL rate, TXUCTC would expect to recover the LRIC expenses associated with the waived monthly charges in less than 6 months. At the same time, TXUCTC and FBTC expect to significantly increase the ADSL penetration with an associated revenue increase for the service and overall revenue increase for the 2 companies. We would also expect the widespread availability of ADSL service to result in additional applications and services being sold to customers as these become available.

Justification

Approval of these changes will result in improved service to the customers, increased revenues to the company over the first year of this offering, and potential future increases in services and revenues as the use of ADSL becomes more and more widespread. Furthermore, these changes will greatly simplify the administration of ADSL service in the TXUCC serving areas.